

Message Text

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PAGE 01 CAIRO 17478 172041Z
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 EB-07 IO-13 USIA-06 COME-00
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E.O. 11652: N/A
TAGS: EAGR, EAID, EFIN, EG
SUBJECT: CCC EXPORT CREDIT SALES PROGRAM (GSM-4) AND
TITLE I PROGRAM IN EGYPT

USDA FOR ASSISTANT SECRETARY BELL AND OGSM

DEPT PASS AID

REFS: (A) UNCLASSIFIED CAIRO 17153
(B) LOU STATE 303830
(C) UNCLASSIFIED TOFAS 84
(D) UNCLASSIFIED LETTER FROM NORTON/OGSM TO
AGATTACHE CAIRO DATED 11/22/76
(E) UNCLASSIFIED CAIRO 14582

1. SUMMARY: MISSION DEEPLY CONCERNED THAT RECENT
ACTIONS TAKEN OR PROPOSED BY USG CONCERNING SUBJECT
PROGRAMS WILL BE INTERPRETED BY GOE AS CHANGE IN USG
POLICY OF ECONOMIC ASSISTANCE AT TIME WHEN GOE IS FACED
WITH MASSIVE PROBLEMS AND DIFFICULT INTERNATIONAL
NEGOTIATIONS. RECOMMEND INSTAED PROPOSAL UNDER
WHICH GOE WILL REPAY ALL ARREARAGES UNDER BOTH PROGRAMS
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PAGE 02 CAIRO 17478 172041Z

AND USG WILL OFFER MODEST INCREASE IN FY-1977 TITLE I PROGRAM
AND NEW LINE OF CREDIT UNDER GSM-4. END SUMMARY.

2. MISSION DEEPLY CONCERNED ABOUT CUMULATIVE EFFECT ON
STRAINED EGYPTIAN ECONOMY AND US-EGYPTIAN RELATIONS THAT
WILL RESULT FROM PRELIMINARY INDICATIONS THAT NO FURTHER GSM-4

CREDITS WOULD BE AVAILABLE EVEN IF GOE PAYS ARREARAGES (REF C); PROPOSED DEDUCTION OF OLDEST GSM-4 ARREARAGES FROM OCEAN FREIGHT DIFFERENTIAL CLAIMED BY GOE (REF B); AND STATEMENT THAT ARREARAGES UNDER BOTH GSM-4 AND TITLE I MAY RESULT IN CONDITIONS AND CONSTRAINTS BEING PLACED ON FURTHER PROGRAMMING UNDER TITLE I, (REF D).

3. PRIOR TO DEPARTURE FROM WASHINGTON LAST SUMMER AGATTACHE WAS GIVEN CLEAR UNDERSTANDING THAT GOE WOULD BE ELIGIBLE FOR NEW LINE OF CREDIT UNDER GSM-4 IMMEDIATELY UPON FULL PAYMENT OUTSTANDING ARREARAGES. PARKER/ERS, PRESENTLY IN CAIRO ON TDY, WAS GIVEN SAME UNDERSTANDING BEFORE LEAVING WASHINGTON 11/20/76. AS RESULT, MISSION HAS CONSISTENTLY URGED GOE MAKE FULL PAYMENT ARREARAGES IN ORDER MAINTAIN CREDIT RATING AND TO BECOME ELIGIBLE NEW LINE OF CREDIT. AS EARLY AS 10/26/76, MISSION ASKED ABOUT NEW LINE OF CREDIT FOR GOE UNDER GSM-4 (REF E) BUT WAS NOT TOLD SUCH REQUEST WOULD RECEIVE UNFAVORABLE RESPONSE UNTIL RECEIPT OF REF (C) ON 12/16/76.

4. GOE WILL FIND USG ACTIONS STATED PARA (2) ABOVE TOTALLY INCOMPREHENSIBLE. FOR PAST TWO YEARS, WE HAVE CONSISTENTLY ORGANIZED EFFORTS TO PROVIDE WIDEST POSSIBLE BASIS OF ECONOMIC (AND POLITICAL) SUPPORT FOR EGYPT AND SADAT. THIS POINT IN TIME COULD HARDLY BE MORE INAPPROPRIATE FOR SUDDEN USG CRACKDOWN IN ECONOMIC FIELD. GOE IS IN MIDST OF DIFFICULT AND COMPLICATED EFFORT TO DEAL WITH ITS MASSIVE ECONOMIC PROBLEMS AND ALSO TO CONCLUDE ARRANGEMENT WITH IMF LIMITED OFFICIAL USE

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PAGE 03 CAIRO 17478 172041Z

WHICH WILL PROVIDE FRAMEWORK FOR MAJOR INTERNATIONAL ASSISTANCE EFFORT. WITHIN FRAMEWORK OF TITLE I PROGRAM ALONE, GOE CAN HARDLY BE EXPECTED UNDERSTAND INTENTIONS OF USG WHICH OFFERS INCREASE IN FY-1977 PROGRAM ONE DAY AND, IN EFFECT, GARNISHEES OCEAN FREIGHT DIFFERENTIAL THE NEXT. WHILE WE SHARE WASHINGTON AGENCIES CONCERNS ABOUT SLOW GOE PAYMENTS, AT TIME WHEN GOE IS CLOSELY WATCHING TRANSITION TO NEW ADMINISTRATION, WE SHOULD NOT BE GIVING SIGNALS WHICH MAY BE INTERPRETED AS CHANGE IN USG POLICY. DOING SO COULD ADVERSELY AFFECT GOE WILLINGNESS COOPERATE WITH USG IN RESUMING PEACE PROCESS.

5. AS FAR BETTER ALTERNATIVE, RECOMMEND FOLLOWING PACKAGE BE APPROVED BY WASHINGTON AGENCIES FOR IMPLEMENTATION BY MISSION: (A) GOE BE REQUESTED PAY ALL ARREARAGES DUE UNDER BOTH GSM-4 AND TITLE I; (B) SUCH PAYMENTS WILL RESULT IN SYMPATHETIC USG RECEPTION TO GOE REQUEST FOR INCREASE IN FY-1977 TITLE I PROGRAM AND

NEW LINE OF CREDIT UNDER GSM-4 (MISSION
SUGGESTS GSM-4 CREDIT IN RANGE OF DOLLARS 5-10 MILLION
WITH ROLLOVER.)

6. SINCE GOE HAS ALREADY BEEN INFORMED THAT DRY
EDIBLE BEANS, SOYBEAN OIL AND ADDITIONAL TOBACCO CAN
BE PROVIDED UNDER FY-1977 TITLE I PROGRAM, IT WOULD
BE MOST HELPFUL NEGOTIATING POINT IF MISSION CAN BE
AUTHORIZED INFORM GOE THAT ADDITIONAL WHEAT (AND
APPROXIMATE QUANTITY) WILL BE AVAILABLE.

7. WE ACCEPT FACT THAT COTTON WILL NOT BE AVAILABLE
TO GOE UNDER GSM-4 EVEN IF NEW LINE OF CREDIT BECOMES
AVAILABLE. HOWEVER, IT IS DIFFICULT TO EXPLAIN THIS
TO GOE WHEN COTTON CONTINUES TO BE SHOWN AS ELIGIBLE
COMMODITY IN MONTHLY ANNOUNCEMENTS. SUGGEST OGSM
CONSIDER INCLUDING EXPLANATION THAT COTTON (AND ANY
OTHER COMMODITIES IN SAME SITUATION) IS ELIGIBLE
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PAGE 04 CAIRO 17478 172041Z

COMMODITY ONLY FOR LINES OF CREDIT ALREADY APPROVED.

8. EVEN WITHOUT COTTON, GSM-4 CREDIT WILL BE OF
GREAT INTEREST TO GOE FOR PURCHASE OF CORN.
EILTS

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